

FISCAL NOTE

SB 549 – HB 1411

March 12, 2007

SUMMARY OF BILL: Exempts bread, milk, eggs, baby food, and baby formula from state and local sales tax, effective July 1, 2007.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$20,957,000 / General Fund
\$47,002,000 / Education Fund
\$265,000 / Department of Revenue
\$663,000 / Sinking Fund

Decrease Local Govt. Revenues - \$32,642,000

Assumptions:

- Taxable sales for food and food ingredients have been estimated to be approximately \$8,146,126,000 in Tennessee for FY07-08.
- Based from data obtained from the U.S. Department of Labor's Consumer Expenditure Survey and the U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children, approximately 16.0% of all food and food ingredient expenditures are for the specific items identified in this legislation.
- Taxable sales for bread, milk, eggs, baby food, and baby formula in Tennessee for FY07-08 are estimated to be \$1,303,380,000 ($\$8,146,126,000 \times 16.0\% = \$1,303,380,160$).
- Current state sales tax rate on food and food ingredients is 6.0%.
- The decrease to state sales tax revenues is estimated to be \$72,203,000 ($\$1,303,380,000 \times 6.0\% = \$78,202,800$).
- The \$72,203,000 in state sales tax revenues would be apportioned as follows: \$20,957,000 to the General Fund, \$47,002,000 to the Education Fund, \$3,316,000 to local governments, \$265,000 to the Department of Revenue (DOR), and \$663,000 to the Sinking Fund.
- The net decrease to state revenues is estimated to be \$68,887,000 ($\$72,203,000 - \$3,316,000 \text{ local government share} = \$68,887,000$).
- The local option sales tax rate is estimated to average 2.25%.

- The decrease to local option sales tax is estimated to be \$29,326,000 ($\$1,303,380,000 \times 2.25\% = \$29,326,050$).
- The net decrease to local government revenues is estimated to be \$32,642,000 (\$29,326,000 local option sales tax revenue + \$3,316,000 state-shared sales tax revenue = \$32,642,000).
- DOR is authorized to promulgate rules and regulations to effectuate the provisions of this act.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director